Social Impact Bonds: The Securitization of the Homeless

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Social Impact Bonds: The Securitization of the Homeless

ABSTRACT: This paper examines the recent phenomenon of social impact bonds (SIBs). Social impact bonds are an attempt to marketize/financialize certain contemporary, intractable "social problems", such as homelessness and criminal recidivism. SIBs rely on a vast array of accounting technologies including budgets, future cash flows, discounting, performance measurement and auditing. As such, they represent a potentially powerful and problematic use of accounting to enact government policy. This paper contains a case study of the most recent in a series of SIBs, the London Homelessness SIB, focusing on St Mungo's, a London-based charitable foundation that was one of two service providers (charities) funded by the SIB. The case study is intended to enable a critical reflection on the rationalities that underpin the SIB. For this purpose, the paper draws upon Michel Foucault's work on biopolitics and neoliberalism. The SIB is thoroughly neoliberal in that it is constructed upon an assumption that there is no such thing as a social problem, only individuals who fail. The SIB transforms all participants in the bond, except perhaps the homeless themselves, into entrepreneurs. The homeless are instead "failed entrepreneurs" who become securitised into the potential future cash flows of investors.

KEYWORDS: Homelessness, Social programmes, Public sector, Not-for-profit sector, Biopolitics, Foucault, Neoliberalism, Social impact bonds

Introduction

> They are casting their problems at society. And, you know, there's no such thing as society. There are individual men and women and there are families. And no government can do anything except through people, and people must look after themselves first. It is our duty to look after ourselves and then, also, to look after our neighbours.
> – Margaret Thatcher, 23 September 1987, in an interview for *Woman's Own*

This paper examines the technologies and rationalities of social impact bonds (SIBs), which could be regarded as the next step in the marketization of public service delivery. SIBs have burst onto the public financing scene with astonishing rapidity and near simultaneity in governments around the world. They have been initiated in the United Kingdom (UK Cabinet Office, 2012b), Australia (NSW Government, 2012), and The United States (Government of Massachusetts, 2012), and are being explored in Canada (Government of Canada, 2013), New Zealand (Government of New Zealand, 2012), and elsewhere (Social Finance, 2012a). Social impact bonds are intended to make government funding of social services contingent on the achievement of contractual performance measures that are attached to named individuals. For instance, a service for reintegrating ex-prisoners into society might be paid based on specified reductions in an individual's reoffending. Private investors in the bonds provide the up-front financing for the services in the hope of lucrative returns, and so hypothetically bear the risk of non-performance. Proponents of SIBs claim they promote innovation in social services and bring market forces to bear on service providers previously funded by traditional government grants (Deloitte, 2012; Social Finance, 2009; UK Cabinet Office, 2012b).

Our focus is the London Homelessness SIB, sponsored by the Greater London Authority (GLA).[1] This SIB is the most recent in a series promoted by the UK government. It was constructed under the guidance of Social Finance Ltd, a financial consulting firm that operates in the social sector, and Triodos Bank, a Dutch bank that describes itself as "the UK's leading bank for social enterprise, and a fast-growing force within the charities sector" (Triodos Bank, 2013). One of the two social service providers awarded this SIB is St Mungo's, a London-based charity (Gentleman, 2012; St Mungo's, 2012b, 2012c). St Mungo's has a long history of traditional programme funding from government sources, supplemented by private charitable donations. The St Mungo's case permits us to study the detailed reconfiguration of funding and governance associated with the use of SIBs in public services, alongside the rationalities underpinning the reconfiguration. To perform the study, we conducted multiple interviews with the major parties involved in the construction of and implementation of the SIB, including five senior managers from the three key organizations involved in the funding arrangement, along with other figures from the voluntary/charitable sector. We also analysed extensive documentary evidence on St Mungo's, SIBs and the London Homeless SIB. SIBs are still at the experimental phase and so this paper presents the opportunity to see the technologies and rationalities of the actors, as well as the changes implemented, as they are happening.

This paper contributes to our understanding of the use of accounting in effecting social policy in the neoliberal era. It illuminates the rationalities and mechanisms of neoliberal governance (Harvey,

[1] The GLA is made up of the London Assembly and the Mayor. The Mayor oversees London's essential activities including transport, disaster planning, and policing. The London Assembly scrutinises the Mayor's decisions.

2005; Kotz, 2011) that have produced what Donzelot (2008) called "the transition from the social welfare state to the social investment state" (cited in Willse, 2010, p. 173). In particular, it seeks to understand how social impact bonds have been used to introduce market mechanisms and financial incentives into areas of social policy traditionally governed by bureaucratic mechanisms and formerly considered inappropriate for marketization (Cooper & Taylor, 2005), In this field, Woolford and Curran (2013) identify a need for theorization of the "conceptual connection between the neoliberal era and changing social service practices." This paper draws upon the tools of Foucault's (1978, 2008) biopolitics to help answer this call. While SIBs are still at the experimental stage, in terms of the marketization/privatization of social services, from a public policy perspective they represent a radical fissure. Traditional privatisation initiatives simply offer private investors the chance to provide services to the state in return for a guaranteed payment. As will be described in more detail later in the paper, SIBs are in practice a series of payment-by-results contracts in which named homeless people are the targets of various performance outcome metrics. In effect, homeless people become commodities, in that they themselves carry the potential to produce future cash flows for investors.

In addition, this paper extends our understanding of how accounting is used to structure discourse around social goals and the government of populations (Graham, 2010; Miller & O'Leary, 1987; Miller & Rose, 1990; Rose, 1991). As others have argued, neoliberal reforms of government do not so much reduce the welfare state, as outsource the social service function of government to diverse locations and non-state actors (Schram, Soss, Houser, & Fording, 2010, p. 742). We investigate the accounting mechanisms that participate in this. We extend research on how accounting is used to shift the boundary between public, private, and nonprofit sectors (Broadbent & Guthrie, 2008; Miller, Kurunmäki, & O'Leary, 2008; Neu, 2006) by showing how financial innovation changes the allocation of risk in attempting to expose nonprofit service providers to pressure from investors.

THEORETICAL FRAMEWORK

In our analysis, we will draw heavily on Michel Foucault's development of the concept of "biopolitics" (Foucault, 1978, 2008). Biopolitics is the endeavour to rationalise the problems presented to governmental practice by the group of living human beings constituted as a population (Foucault, 2008).[2] In Foucault's (2008) analysis, he argued that the problems presented to governmental practice by "population" could not be disassociated from the framework of political rationality within which they appeared, namely liberalism. Foucault saw liberalism as a method of rationalising the exercise of government, resonating with its principle that "'One always governs too much'—or at least, one should always suspect that one governs too much" (Foucault, 2008, p. 319). That is, Foucault does not see liberalism as an unrealized utopia but as a tool for criticising modes of government or the state.

Foucault's work on biopolitics sets out a complex historical depiction of the birth of neoliberalism. Foucault compared German post-war neoliberalism (Ordo-liberalism) and American neoliberalism of the Chicago School. Both Ordo-liberalism and the Chicago School maintained the liberal concern with excessive government. In the case of Ordo-liberalism, the excessive government was the Third-Reich (Nazi totalitarianism), and for the Chicago School, it was Simons, the New Deal, and the economic and social programmes generally supported by post-war Democratic administrations in the US. Ordo-liberalism worked on the thesis that competition was the best way to prevent excessive private or public concentrations of power, so government regulation should be used to establish and promote free markets. But, it should also include a policy of social interventions (unemployment pay, healthcare coverage, a housing policy, and so on) to "socialize" the risks inherent in free market economic systems.[3] American neoliberalism, in contrast, sought to place risk back onto the shoulders of individuals and to

[2] Developing Foucault's biopolitics in a more contemporary setting, Willse (2010, p. 157) argues that it is "the register of governance where political economy meets the population".

[3] German (Ordo) liberalism offers a new form of rationality according to the model of enterprise, but with a safety net. Foucault explains that, "The enterprise society imagined by the Ordo-liberals is therefore a society for the market and a society against the market, a society oriented towards the market and a society that compensates for the effects of the market in the realm of values and existence." (p. 242) Thus, Foucault, quoting phrases from Röpke (1952), argues that there is a political and moral framework to Ordo-liberalism: "This political and moral framework must ensure 'a community which is not fragmented,' and guarantee cooperation between men who are 'naturally rooted and socially integrated'" (p. 243).

extend the rationality of the market into all social arenas (Foucault, 2008; Yergin & Stanislaw, 2008). Foucault states that this represents two processes, "... one that we could call the extension of economic analysis into a previously unexplored domain, and second, on the basis of this, the possibility of giving a strictly economic interpretation of a whole domain previously thought to be non-economic" (Foucault, 2008, p. 219). The encroachment of market rationalities into arenas previously considered to be "social" means that *financial economics* has become a "governmentality".

To put this in terms of homelessness, German neoliberalism would have the state put safety nets and social programmes in place to protect the most vulnerable and mitigate the negative impacts of markets. American neoliberalism would extend economic rationalities into the field of homelessness, turning homelessness into a business opportunity and making it productive for the circulation and investment of capital. It is this latter (now dominant) form of neoliberalism which provides the financial economic rationalities of the present case study.

"The Social" or Non-market Relations

Thus far, it has been argued that Foucault theorized that American neoliberalism would insist on the application of an economic grid to the social field, which has been defined since the nineteenth century *in opposition to* the economy, or at any rate, as complementary to the economy. In practice, American neoliberalism involves generalizing the economic form of the market throughout the social body, including the whole of the social system not usually conducted through, or sanctioned by, monetary exchanges:[4]

> First, the generalization of the economic form of the market beyond monetary exchanges functions in American neo-liberalism as a principle of intelligibility and a principle of decipherment of social relationships and individual behavior. This means that analysis in terms of the market economy or, in other words, of supply and demand, can function as a schema which is applicable to non-economic domains. And, thanks to this analytical schema or grid of intelligibility, it will be possible to reveal in non-economic processes, relations, and

[4] So for example, the mother-child relationship can be characterised in terms of an investment over time. This investment will form part of the child's human capital, which will produce a future income; the mother will receive psychical income. "So, everything comprising … the formative or educational relationship, in the widest sense of the term, between mother and child*, can be analysed in terms of investment, capital costs, and profit—both economic and psychological profit—on the capital invested*" (p. 244, emphasis added).

> behavior a number of intelligible relations which otherwise would not have appeared as such—a sort of economic analysis of the non-economic. (p. 243)

In addition to the generalisation of the market form throughout the whole of society, American neoliberals further believe that there should be no state interference in the operation of "free markets". As an example of this, Foucault specifically discusses a French neoliberal "social plan" for the most deprived in society. The plan involved the introduction of a "negative tax" or "universal benefit" which would ensure "effective social protection without negative economic effects". The proposed negative tax involved the replacement of the myriad of different social benefits, which were originally designed as various forms of social interventions, with a *single* cash benefit. This cash benefit would guarantee supplementary resources to those, and only those, who either definitively (e.g., the old or the disabled) or provisionally (e.g., the unemployed or the feckless) failed to reach a sufficient income threshold. This benefit would be paid to people whose income was insufficient to ensure a given level of consumption, although it would be set at a level low enough to make it always preferable to work rather than receive the benefit.

Foucault teased out the rationalities underpinning the neoliberal "preference" for a negative tax. The tax might attenuate the extreme effects of poverty and enable a minimum level of consumption. But essentially, *it does not seek to modify the causes of poverty.* So, it does not try to target government spending in particular areas (for example, neoliberals would disagree with the construction of social housing with subsidised rents, as a way of dealing with homelessness created in places like London by extremely high property prices). Importantly, it should be set at such a low level that it would not interfere with the operation of labour markets. And it does not seek to reduce the effects of relative poverty arising from the widening gap between the incomes of the wealthiest and the poorest. Advocates of neoliberal policy have abandoned of any hope of finding the right social policies or economic interventions to ensure a fairer, more equal society – no more New Deals!

Neoliberalism: Human Capital and Entrepreneurs

Foucault builds upon his discussion of the proposed negative tax to develop his analysis of the neoliberal vision of the individual as an entrepreneur. He argues that a characteristic of negative tax is that it ensures an impoverished existence for all, but that "the economic mechanisms of the game, the mechanisms of competition and enterprise, will be allowed to function in the rest of society. Above the threshold everyone will have to be an *enterprise for himself or for his family*" (Foucault, 2008, p. 206, emphasis added). Indeed, "the basic element to be deciphered by economic analysis is not so much the individual, or processes and mechanisms, but enterprises. An economy made up of enterprise-units, a society made up of enterprise-units, is at once the principle of decipherment linked to liberalism and its programming for the rationalization of a society and an economy" (p. 225). Under neoliberalism, homo œconomicus is "an entrepreneur, an entrepreneur of himself. This is true to the extent that, in practice, the stake in all neoliberal analyses is the replacement every time of homo œconomicus as partner of exchange with a homo œconomicus as entrepreneur of himself, being for himself his own capital, being for himself his own producer, being for himself the source of [his] earnings" (p. 226).

Foucault's understanding of the neoliberal conception of humanity as individual enterprise units is accompanied by his analysis of the neoliberal conception of human capital. Foucault posited that if capital is defined as that which makes a future income possible, then the capital for which the income is a wage is, in practical terms, inseparable from the person who possesses it: "Ability to work, skill, the ability to do something cannot be separated from the person who is skilled and who can do this particular thing" (p. 224). This idea is founded on a notion of "capital-ability which, according to diverse variables, receives a certain income that is a wage, an income-wage, so that the worker himself appears as a sort of enterprise for himself" (p. 225, emphasis added). In effect, human capital entrepreneurs produce future income streams. As an entrepreneur of oneself, the neoliberal individual is subject to disciplinary injunctions, such as the care of self (Foucault, 1986).

SIBs and Biopolitics

Neoliberalism's rationalities would insist upon the eradication of government social policies and their replacement with market mechanisms. The important point in terms of SIBs is that they are an economic incursion into the non-economic; this makes accounting technologies, which can place monetary values on domains previously considered to be "non-economic" or social, essential to their functioning. The market mechanisms at play in SIBs are *financial* market mechanisms. The value of an individual unit of human capital is her future cash flows. When a person fails to generate sufficient cash flows (a "failed entrepreneur") and the state provides funds to this person, SIB accounting mechanisms can be put in place to ensure that at least some of these funds benefit investors.

In both practice and theory, SIBs lay a neoliberal economic grid upon some of the most vulnerable in our society. This grid effaces their humanity, replacing it with extreme rationality and quantification. Previous work in accounting has considered how this was achieved under slavery (Fleischman & Tyson, 2004) and during the holocaust (Funnel, 1998). Some of the rationalities of the Nazi regime in the concentration camps, for example that there should be minimum spending on "non-productive" people, are exactly the types of rationality which the Ordo-liberals wished to eradicate but which underlie certain aspects of American neoliberalism.

In summary, this section has set out the key elements of Michel Foucault's careful explanation of the biopolitical rationalities of neoliberalism that are important for the understanding of SIBs. These are the encroachment of market rationalities into arenas hitherto considered to be "social" and not amenable to the logic of the market; that society is made up of individual human capital enterprise units; and that the state should not interfere with market mechanisms. In order to provide a context for the homelessness SIB, the next section sets out a very brief history of UK homelessness and how understandings of the causes of homelessness have changed under neoliberalism.

HOMELESSNESS IN THE UK: THE RATIONALITIES OF HOMELESSNESS

In order to analyse St Mungo's and the rationalities of social impact bonds, it is helpful to situate the programme in its historical context. Although the term "homelessness" is relatively new, lack of shelter has been a common problem for the very poor in the Britain for centuries. The 1834 "New" Poor Law consolidated a regime of workhouses for the destitute across Britain, centralized its administration and introduced a system of homeless person classification.[5] This was the first sign of modern governance of poverty based on statistics and a division of the population into governable subsets (Graham, 2010; Rose, 1991; Rose & Miller, 1992). Workhouses were constructed as a sort of panopticon. Thus, both observation and classification of the poor have traditionally been critical components of the governance of poverty and homelessness. As will be seen in the case study, the technologies of observation and classification of the poor are central to the biopolitics of homelessness in the 21st century. A further dimension of workhouse biopolitics is the disciplining effect of the treatment of the homeless – the workhouse is an element of British working class family oral history that serves as a warning against falling into poverty (Todd, 2014). While workhouses were later renamed and slightly upgraded, it wasn't until the launch of the National Health Service in 1948 that they were either absorbed into the new system for hospital use, or became council-run old people's homes, hostels, or were disposed of.

Homelessness re-entered the popular consciousness in the UK through the landmark 1966 film, *Cathy Come Home.* During the 1960s, researchers began recognising patterns in the growing number of applicants to municipal housing (Pleace & Quilgars, 2003, p. 188), and homelessness again became a concern of public policy.

Although homelessness is regarded by some as a structural, rather than an individual, problem (Fitzpatrick, 2005, p. 4), social policies addressing it in the 1990s were rooted in notions of individual causation and pathology. Nonetheless, research on homeless populations began to recognise complex factors shaping the experiences of the poor, and the causes of homelessness began to be understood as an

[5] The classification included: aged or infirm men, able-bodied males above 13 years, boys aged seven to 13, aged or infirm women, able-bodied females above 16 years, girls aged seven to 13, and children under seven.

intertwining of personal life events and socioeconomic factors (Fitzpatrick, 2005, p. 4). Thus, housing-market forces, unemployment, family fragmentation, discharge from the armed forces, incarceration, and debt, alongside the well-recognised factors of substance abuse and mental illness, all became incorporated into the analysis of and response to homelessness (Christian & Anderson, 2004, p. 576).

Alongside the spread of neoliberal rationalities in the late 20th and early 21st century, explanations of homelessness began to take on economic terms, with homeless individuals deemed to be consuming a disproportionate amount of resources (Crow & Smykla, 2014; D. P. Culhane & Kuhn, 1998; D.P. Culhane, Metraux, & Hadley, 2002; Department for Communities and Local Government, 2012; National Audit Office, 2005).[6] The following case study will develop an understanding that the London Homeless SIB extends this economic thinking by creating an economic venture out of homelessness rather than attempting to alleviate the causes of homelessness, which in London include unaffordable housing and scant social housing provision.[7] Willse (2010), writing about the application of economic principles to "chronic" homelessness, states:

> As economic ventures, neo-liberal social programmes do not necessarily seek an end to social problems, but become ends themselves – economic activities enabling more economic activity. (Willse, 2010, p. 175)

We argue that the London Homeless SIB fits this description and illustrates dramatically the many kinds of economic analysis and economic activity around a population of homeless individuals. The next section describes SIBs, the quintessentially neoliberal technology affiliated with this particular mentality.

Social Impact Bonds

The notion of a market-based bond connected to social outcomes appears to have originated with Horesh (2000). This New Zealand economist suggested that governments use what he called "social policy bonds" as a mechanism to achieve policy objectives with indefinite time horizons. A government

[6] For the US context, see http://www.cdaid.org/files/municipal_services/USIGHomeless.pdf.
[7] These were the same causes of homelessness noted in 1966 in the film *Cathy Come Home*.

would issue a bond on the financial markets, promising to redeem it at a specific price whenever the specified policy objective is achieved. In his example, a government might issue a bond with a redemption value of $10, to be paid by the government to the bondholder whenever crime levels are reduced by 50% from current levels. People would be able to buy these bonds at a steep discount because the objective is, at the time of issue, so remote; but they have an incentive to buy them because the potential return on investment is so high. Those who believe they can influence the value of the bonds by helping to achieve the desired outcomes have a particular incentive to buy them. More "active" investors, in order to realise a financial profit from their bonds, could spend their own time trying to accomplish the social goal or they could finance social programmes of some sort (presumably at the lowest cost they can find) in order to see the social objective achieved. Because the bonds would be freely tradable, they could be sold any time at market price by a bondholder who had run out of ideas or energy, to someone with new ideas or energy to put behind further progress towards the goal.

This concept has been harnessed in recent years in the United Kingdom, but with some very important differences. The UK model (UK Cabinet Office, 2012b) lacks the idealised liberal notion of markets implicit in Horesh's conceptual model and does not, at least in its infancy, require any liquidity in the market for the bonds. The UK version rather represents an opportunity for investors to make profits more directly from individually named people.

The first SIB launched in the UK was directed at recidivism amongst released prisoners. In 2010, the bond was issued to fund support services for 3,000 short-term prisoners being released from Peterborough prison (Warrell, 2010). Service providers took on a "portfolio" of ex-inmates and were paid according to the SIB's pay-for-performance contract mainly related to recidivism.[8] By January 2013, a total of thirteen SIBs had been launched in England, addressing various social problems (Social Finance, 2013c; UK Cabinet Office, 2013). The most recent, the fourteenth, was the St Mungo's SIB.

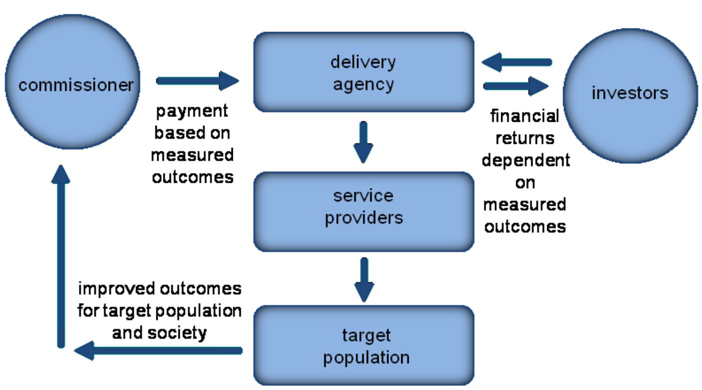
The UK version of a SIB is in practice a not a bond or debt instrument as the name implies. It is a series of "social/economic futures" contracts between at least three separate legal entities: a commissioner

[8] Results are not yet available, although a brief preliminary report has been issued (Social Finance, 2011a).

or government department; the delivery agency/agencies, which could be charities; and investor(s) (Nicholls & Tomkinson, 2013, p. 3).

Figure 1 is the UK Cabinet Office's representation of a SIB. The first SIB contract is between the bond commissioner (government department) and the delivery agency/agencies. It sets out a particular social outcome or outcomes (performance metrics) which, if achieved by the delivery agency, will activate a payment or payments from the commissioner. In the St Mungo's SIB, the commissioner is the Greater London Authority (GLA) and the delivery agency is St Mungo's. The necessary funding or working capital required by the delivery agency to achieve the social outcome(s) would come from one or more investors. This necessitates a further contract between the delivery agency/agencies and the investor(s). This contract sets out the returns to the investors contingent upon the achievement of the social outcomes set out in the commissioner/delivery agent contract. The investors in the St Mungo's SIB are the Charities Aid Foundation Venturesome, the Orp Foundation, two individual investors and *St Mungo's itself*. In short, a SIB requires at least two contingent contracts, between the commissioner and the delivery agency/agencies, and between the delivery agency/agencies and the investor(s). In the St Mungo's SIB, the service providers are St Mungo's employees (sometimes described as "navigators") who work for a special purpose vehicle, Street Impact Ltd., set up as the delivery agency by St Mungo's to deal with the SIB. The target population are a specific group of 830 named homeless people.

Figure 1



Source: Cabinet Office (2015)

SIBs are still in their infancy (and experimental phase), and there is no “SIB market” at present. However, it is entirely possible that future, there could be a market for the investor/delivery agency contracts.

The UK government is enthusiastic about the prospects of SIBs, with a press release by the Minister for Civil Society calling them “a radical approach to solving complex and costly social problems” (UK Cabinet Office, 2012a). The government is not only ideologically committed to SIBs, it is also putting money into them. So what is missing from Figure 1, in terms of the St Mungo’s SIB, is that the government (Department of Communities and Local Government) gave the GLA £5m *additional* funding for the St Mungo’s SIB. In brief, the London Homeless SIB was commissioned by the GLA. It split the £5m provided by central government and awarded SIBs to two charities: St Mungo’s and Thames Reach. We now flesh out these details in the case study of the St Mungo’s SIB.

THE ST MUNGO’S SIB CASE STUDY

Data and Methodology

In this study, our primary focus is the way that a particular technology (the SIB) both produces, and is produced by, specific neoliberal mentalities. We are also interested to understand better how accounting, as an economic tool, assists in what Foucault describes as the economic analysis of the hitherto non-economic phenomena (in this case, homelessness) and how it serves as a key technology for SIBs. At this stage it is much too early to evaluate the “outcomes” and/or consequences of the St Mungo’s bond.

In order to understand what kind of mentality would have to be present in the field in order to generate the required effects of the technology, we employ a case study approach. We analyse one specific SIB, the London Homelessness Social Impact Bond, and thereby are in a better position to understand and conceptualize the complexity of such instruments that are based on a very particular mentality concerning how to deal with social problems (Flyvbjerg & Sampson, 2001). We concentrate on St Mungo’s in part because it adopted the most “entrepreneurial” approach to the SIB in its creation of a special purpose vehicle (see Appendix 1). We relied on two main sources of information: archival documents and interview data. The archival data consists of public documents from government, NGO, and corporate sources. We explored government websites in the United Kingdom for information on social impact bonds, as well as on housing and homelessness. The national government level was key to this research, but devolution to local authorities is part of the financialisation of public services in the UK. Therefore, we extended our search to the local level, concentrating on the local authority (GLA) involved in the specific programme we were studying.

The St Mungo's website and press reports concerning St Mungo's since its inception were explored exhaustively to enable an understanding of the historical development of the organisation. We also looked at public regulatory filings related to St Mungo's (and its newly formed subsidiary, Street Impact Ltd.) so we could understand its financial transitions and constraints. We analysed information on its connections to the corporate sector, to government, and to consulting firms. We looked particularly for accounting and finance information, to see how St Mungo's was faring financially and to understand the importance of this new form of funding to its overall operations. We also analysed how the activities funded by the London Homelessness SIB would be evaluated for the purpose of the bond's payment by results metrics.

We conducted multiple interviews with each of the key actors involved in the construction and the implementation of the SIB. We interviewed several St Mungo's employees (including the Executive Director of Finance and Information), the Greater London Authority (GLA) solicitor who has responsibility for the SIB, the SIB controller (auditor) at the GLA, and an employee of Triodos Bank who worked on the preparation of the bid and employees of other charitable organisations. These interviews provided us with insight into specific experiences of the interviewees, as well as the more general trends regarding social impact bonds and other forms of financing in this charitable sector and its financial challenges.

All material was evaluated by the three authors independently. Differences in interpretation were resolved in discussions and through the iterative writing process for this paper. Where resolution has not been achieved, the interpretation has been left open. This approach is particularly appropriate for a new social innovation whose consequences are not yet fully understood.

The London Homelessness SIB

The very basic "facts" of the London Homelessness SIB are that the UK central government initiated the SIB, which would be commissioned by the Greater London Authority. After negotiations, the construction of a business case, a bidding process and the enrolment of various institutions, two charities (St Mungo's and Thames Reach) were each awarded half of the SIB. Each charity could earn up to £2.4m from the SIB. A specially selected 830-member cohort of named individuals was selected as the target population of the bond. The cohort was divided in two, based on geographical location. A St Mungo's interviewee indicated that they were assigned the north and west sectors of the city, while Thames Reach got the south and east. Thus each charity was assigned 415 named individuals.

Our analysis of the London Homeless SIB proceeds in three parts. First, we examine the development process of the SIB to articulate key features of the instrument, such as the CHAIN database upon which it is built, the outcome metrics, the cost determination and the Navigator Model. Each of these features is grounded in, and also perpetuates, a specific set of neoliberal mentalities associated with how the homeless "problem" can be (newly) subjected to a very precise set of economic analyses.

We then move to an analysis of the different agents enlisted by this technology. A mix of pre-existing and newly introduced social agents is required to give effect to the SIB. Despite this mix of new and old, and despite their different backgrounds (which was clearly articulated in their vocabularies) each of our interviewees appeared to express a genuine desire to help homeless people. However, their approaches and rationalities were strikingly neoliberal. For example, the banker said that it would be good if there was more liquidity in the SIB "market", while a senior officer at St Mungo's noted that a homeless client could make demands and threaten to leave the provided accommodation unless they were met. The SIB auditor was concerned about the "grey area" surrounding what exactly constituted a lease for the purposes of the SIB, rather than the quality of the accommodation.

Development of the SIB

The homeless bond was sparked by the Department for Communities and Local Government (DCLG), Her Majesty's Treasury and the Cabinet Office. Together, the parties identified a potential £5m fund and commissioned Social Finance Ltd., in partnership with the Young Foundation, to develop an initial structure through a feasibility study and an outline business case (Social Finance, 2012b). The business case stated that, "We have been unable to identify a robust evidence base linking interventions with realistic expectations of outcome improvements" (Social Finance, 2012b, p 15). Nonetheless, three models of interventions are set out in the business case (Social Finance, 2012b). The highest cost model of the three, which was the one selected, included assigning each homeless person to a "navigator".

Navigators

The navigator would be a key worker supporting the homeless client with an individualised assessment, helping him or her find a way through the network of provision, and sustaining this support over time armed with a budget to support a personalised intervention in the homeless client's life. Navigators would follow an outcomes-based arrangement. The Navigator Model is predicated on a highly entrepreneurial approach to service delivery, offering the (very neoliberal) "freedom" of flexibility within the constraints of a personal budget, with a set of outcomes to achieve. A tacit assumption in this arrangement is that it is not the role of the state to bring about social change through specific social interventions.[9] This is the role of individual entrepreneurial units (the navigators).

Accounting technologies in the forms of budgets and performance metrics are at the heart of the relationship between the navigator and their homeless client. From the perspective of the navigator, the arrangement is in some ways akin to many 21st century management control systems that incorporate performance metrics. A key difference is that the outcomes are intimately linked to very vulnerable people.

[9] Familiar with traditional case-based intervention, St Mungo's bid drew heavily on activities with which it is quite familiar, but the outcomes-based delivery model sharply differentiated traditional case worker relationships from navigator relationships.

From our interviews it seemed that the Navigator Model was the "innovation in practice" introduced by the SIB. Other official literature (CASE, 2014; Department for Communities and Local Government, 2014) continues to herald the importance of navigators. But one of our St Mungo's interviewees said that the Navigator Model turned out to be impossible to operationalize, for financial reasons. The homeless people selected for the bond sleep in central London. The kinds of accommodation (hostel or tenanted) they could move to are typically located a long way from central London (60-90 minutes travel), because property prices in central London are astoundingly high. Individual navigators would be unable to both work with people on the streets in central London *and* visit people who live in accommodation on the outskirts of London or father away. Navigators would have to spend too much time travelling. Despite this, the Navigator Model was a key feature of the SIB business case.[10]

A second key feature was the target group of the bond. In order to produce the figures required for a business case, it was essential to quantify the costs to the state of various types of homeless people. For this, a detailed knowledge of homeless individuals was required. The GLA already had at its disposal a fairly sophisticated quantitative database of the homeless in central London – the "Combined Homelessness and Information Network" (CHAIN), which will be discussed next.[11]

CHAIN and the Inbetweeners

CHAIN is a database in which various agencies record information about rough sleepers in London. It was used to provide human data for the process, through its ability to establish baselines, construct an identifiable cohort, and illustrate past success (CASE, 2014). By modelling the pathways of different cohorts over time using CHAIN and other available data, baselines of expected achievement were created. Without this baseline of human data, the contract would essentially be unworkable. This is

[10] The CASE (2014) evaluation document gives the example of "Simon" who lives in Westminster. He may well be an exception, as it is almost impossible to find cheap accommodation in Westminster.

[11] CHAIN contains -- Basic identifying and demographic information; Contacts made with outreach workers; Arrivals and departures from short term accommodation such as hostels, including the reasons for departures; Basic indications of support needs people have, for example drug misuse or physical health problems (http://www.Mungo'ssbroadway.org.uk/chain/information_chain - accessed 7/6/15). The GLA pays for CHAIN, which was originally managed by an organization called Broadway. Broadway and St Mungo's merged in April 2014 (http://www.Mungo'ssbroadway.org.uk/about/history, accessed 29th April, 2014).

because attribution of outcome to the service provider's actions was critical to their entitlement to payment (as it is in all payment-for-results contracts, whether in a traditional economic setting or in a social setting like this one) and also because the rationality of the SIB is to target St Mungo's activities at individuals rather than "society". Baselines are fundamentally important because they provide the analysis of what is expected to happen without a specific (targeted) intervention. By linking payments to results beyond the baseline expectations, the achievement of outcomes is incentivised (Department for Communities and Local Government, 2014).

The CHAIN database was the source of important "feasibility criteria" for SIBs. It produced a well-defined target population that could not be manipulated by the service provider, and accordingly reduce the potential for 'cream skimming,' that is, the potential for the service provider to focus on those individuals considered the easiest to help, thereby leaving the most vulnerable unaided (Department for Communities and Local Government, 2014, p. 21). There are three basic categories of homelessness in the CHAIN database – those who have just started sleeping rough, who may or may not quickly return to more stable housing situations; those who are chronic rough sleepers, who may have multiple issues such as mental illness or drug dependency; and a middle group, the so-called "Inbetweeners" who have had multiple separate episodes of rough sleeping related to various underlying "problems", but who have not yet been labelled as chronic. This categorization shows that all those in the database are assessed and objectified according to a series of measurements. The focus of the SIB, would only be on the Inbetweeners.[12] All of the Inbetweeners on CHAIN would be included in the bond. During the development of the bond the number of Inbetweeners rose from 653 (the number in the initial business case) to 830.

[12] The word "Inbetweeners" alludes to a popular television show in the UK, where it refers to individuals between childhood and adulthood. In this situation comedy, dysfunctional adolescents are considered laughable. The connotations are therefore pejorative for anyone familiar with the show.

There is a biopolitical element to the database itself.[13] That is, collecting data and monitoring the life choices and circumstances of the homeless individuals becomes increasingly important, not only to doing the monitoring, but also to creating the conditions for other programmes (like the SIB) to alter the lives of clients. By such technologies, the structure of the field itself is altered to conform to a neoliberal version of what is considered "correct".

The CHAIN data base was important for developing the business case for the London Homeless SIB (Social Finance, 2012b) and the Navigator Model was promoted in it as the best direction for future spending. Once the outline business case was in place, a process of negotiation amongst a range of institutions and organizations began.

Negotiations

The St Mungo's staff we interviewed said that the initial business case contained the "kind of ideas that a non-expert on homelessness would come up with" and that the outcomes became more realistic after negotiations had taken place.

Detailed analysis was performed on three key, inter-related economic variables. First, what specific results could be achieved with this "Inbetweeners" cohort of homeless clients? This meant identifying particular aspects of their homelessness that clients could "work on", such as health, education. Second, given these potential results, what types of payments could be offered to the service provider as incentives to reach desired targets? And third, given these payments, what cost savings, if any, could accrue to the traditional payer in this field, the UK government (specifically, the DCLG)? The specification of targets and the distribution of incentives was the subject of intense negotiation between the service providers, their social finance advisors and the Greater London Authority.

St Mungo's staff said that they basically worked out what they could achieve with the money that might eventually be paid at the end of the SIB. Again, the technologies of accounting were central to this

[13] There are several different types of information recorded on the data base: (a) basic identifying and demographic information, (b) contacts made with outreach workers, both when a person is 'bedded down' and when they are not 'bedded down', (c) arrivals and departures from short term accommodation such as hostels, including the reasons for departures, and (d) basic indications of support needs people have, such as drug misuse or physical health problems.

process enabling a form of production efficiency calculation, except the products in this case are human beings. Eventually, firm outcome metrics were incorporated into the business case for the SIB.

Payment by Results: Outcome Metrics

Outcome metrics form the foundation of the SIB contract, and link the various institutions and agents in ways that are different than under prior forms of funding. Their importance to the feasibility of the SIB instrument is outlined below:

> The most important criteria for any outcome metric is whether it incentivises a service that ultimately improves outcomes for those who use it. In addition, when making the value-for-money argument …, it is helpful to link such a metric to cashable savings on the part of the public sector commissioner. … The key is to identify an outcome metric which is measurable and objective. There must be a willing funder to pay if outcomes are delivered. Whether or not suitable metrics can be identified is a key determinant of whether or not a SIB is the appropriate instrument for addressing an identified social need. (Social Finance, 2013c, p. 11)

The SIB contract included five outcome metrics aligned with the key aims of the programme, whose payments were weighted as follows:

Table 1: Outcome metrics and payment weights

Goal	Metric	Weight
Primary outcomes		
Reducing rough sleeping	Reduction in the number of individuals with bedded down contacts in London beyond a baseline.	25%
Supporting clients into stable accommodation	Confirmed sustainment of non-hostel tenancy for up to 18 months, with no more than one bedded down street contact in London in any one six month period.	40%
Supporting clients into sustained reconnection to a country where they enjoy local connections	Confirmed reconnection to a destination outside of the UK with no bedded down street contact in London in the following six months.	25%
Secondary outcomes		
Supporting client progress towards employment	Increase the number of individuals • Achieving NQF level 2 or equivalent qualification • Sustaining volunteering or self employment • Sustaining part time employment • Sustaining employment	5%
Supporting clients to better manage their health	Improvement above a baseline of the number of A&E episodes per year	5%

Source: "Contract for Services between the Greater London Authority and [Name of Service Provider]", p. 64. (Obtained by authors through a Freedom of Information Request)

As explained earlier, organisations in the sector commented on successive drafts of, and amendments to, the Social Finance business case, and the GLA made adjustments. For instance, one of the metrics in the SIB would be for "reconnection" (enabling people to return to the countries their country of origin). The fee for reconnection was considered to be insufficient by the organisations commenting on the Social Finance business case, and so it was increased. Although the weightings and goals were the outcome of negotiations, the weighted distribution reveal the importance placed on different outcomes. St. Mungo's was tasked (and rewarded) primarily with removing individuals from the street; this is reflected in the three primary outcome measurements.

The third metric "*Supporting clients into sustained reconnection to a country where they enjoy local connections*", although carefully worded, reflects the nature of the contemporary homeless demographic and political attitudes towards them. Fifty-two per cent of rough sleepers are now non-UK citizens (Fitzpatrick, Pawson, Bramley, & Wilcox, 2011, p. 58). Twenty-eight per cent of homeless on the CHAIN database are from European Union Countries (Department for Communities and Local Government, 2012) and are entitled to UK state benefits. Reconnection measurements are included in the contract to encourage St Mungo's to help these Inbetweeners return to their country of origin. The contract requires St Mungo's to have staff travel with the participant to their country of origin and work to ensure they get access to appropriate support there. According to the official documentation, St Mungo's staff will not "walk away" until they are sure the participant is likely to remain outside the UK.

The fourth and fifth measures are weighted considerably less. The fourth measure related to connecting the individuals to employment, volunteer work, education, or training. An interviewee said that during the initial meeting, there was a feeling that this would be the most difficult measure to achieve. The fifth goal can be directly linked to attempts by the government to cut the costs of public services. Core government research (Department of Health, 2010) suggested the cost of the homeless to the National Health Service is considerable. Homeless people are 3.2 times more likely than the general population to be an in-patient admission, and cost 1.5 times more (Department of Health, 2010). Since the majority of homeless people lack a general practitioner, their access to health care is through Accident and Emergency (A&E), consequently, they are six times more likely to attend A&E (Mathie, 2013).

These outcome metrics include and are based on several neoliberal ideals. As noted with the Navigator Model, the use of multiple outcome metrics means that attention must necessarily be focused on individualised "results" and not on any specific social service. The outcome metrics also reflect the neoliberal notion of human capital. This technology, inserted into this social space, is fundamentally about working on the human capital of each client in the cohort, so that they may increase that capital on the path to employability and self-sufficiency or, failing this, serve as a reserve army of labour (Foucault, 1978, 2008). Improving human capital through interventions at the micro level of social life, as noted by Foucault, is fundamental to a society that has taken as its aim the more general improvement of the human capital:

> And as soon as a society poses itself the problem of the improvement of its human capital in general, it is inevitable that the problem of the control, screening, and improvement of the human capital of individuals… will become actual, or at any rate, called for. (Foucault, 2008, p. 228)

The final consideration in the process of constructing the SIB contract payment by results metrics was the value for money calculation. This will be considered next.

The Role of Cost Determination

The outcome metrics identified in the prior section entered into the value-for-money calculation. In general, this calculation takes into account all the prospective payments by the commissioner if the outcome measures are achieved. Social Finance, the technical consulting advisor, considers the following factors:

- Current costs to government of a particular target population
- Costs of a proposed SIB intervention
- Estimated impact of proposed intervention
- Potential cost savings to commissioner(s)
- Estimate of investor returns
  (Social Finance, 2013c, p. 19)

Government and other research suggest that the annual cost to the government of an individual homeless person is between £24,000 and £30,000 (Department for Communities and Local Government, 2012) or £1 billion in aggregate (National Audit Office, 2005). The initial SIB business case for the 653 "Inbetweeners" on the CHAIN database based its public sector resource usage estimates on the cost measurements shown in column 3 of Table 2 (Social Finance, 2012b, p. 30). The alternative cost measures that were not used, shown in column 4, are informative. The majority of them relate to more traditional programmes designed to bring about social change, or are traditional state "social levers". For example, health costs are based upon hospital usage and not on specific alcohol and drug treatment programmes. The technologies and assumptions related to the calculations are also interesting. The cost estimates use the "average net present value" calculation featured in all state privatisations, a calculative technology that has been shown to be deeply flawed (Cooper & Taylor, 2005).

Table 2: Costs per individual cohort member across proposed outcome areas

Costs	Cost estimate used in model	Based on	Cost estimates not used in model	Average NPV of costs over five years
Rough sleeping	£1,664	• Outreach services	• Housing benefit uptake	£2,985
Accommodation	£3,818	• Temporary accommodation/ • Tenancy breakdowns	• Changes in housing benefit	£6,849
Criminal justice	£10,693	• Reconviction costs/ • Police time	• Probation costs • Long-term imprisonment	£19,182
Employment	£2,600	• Job seeker's allowance • Employment support allowance	• Exchequer benefit from employment	£4,664
Health	£1,890	• Unplanned hospital usage • Psychiatric hospital usage	• Specific alcohol and drug treatment programmes	£3,390
Average per person	£20,000			£37,000
Total for cohort	£13.5m			£24.2m

Source: Department for Communities and Local Government (2014) and Social Finance (2012b, p. 30)

Cost estimates were thus critical to the development and existence of the SIB. The ability to reduce the uncertainty of an entire cohort of individuals to a single average net present value produces one of the conditions necessary for the SIB to function. The bureaucratic systems of the GLA/DCLG depended on this form of analysis; and the investors required "data" in a form amenable to their own financial analysis, so that they could assess the risk of these results not materializing (e.g. by changing the discount rate used in the NPV analysis, by calculating ranges of uncertainty around the numbers, by pulling out fixed and variable costs, and so on). The data collected on the individuals in the cohort is thus constitutive, as it is used to construct the solution.

We see the laying of a grid of economic analysis (discounted cash flows, interest rates, cost allocation methods, risk assessments) onto a social field (the homeless individual's movement through life), thus creating 830 new individual "enterprising units" and/or investment opportunities. The 830 could be conceived as an investment portfolio, with each individual carrying their own level of risk. In a similar way to accounting serving the Nazi war machine (Funnel, 1998), the accounting metrics underpinning the SIB seem to efface the concern for human dignity and happiness. Moreover, a careful analysis of the bond suggests that it will not interfere with "market mechanisms". For example, a homeless person may be encouraged to take up the tenancy of non-hostel accommodation – but the rental cost or provision of the accommodation is not be controlled in any way by the state.

In summary, financial economic analysis is the focal point of the SIB. Economic technologies were applied at every turn, making the accounting technologies that produced the requisite data, and that structured the relationships between actors, central to SIBs. From the initial budget allocation of the public sector commissioner of the SIB through to the development of the performance metrics, business plans, value for money calculations, and the due diligence on potential service providers (see Appendix 2), accounting was instrumental. It played the pivotal role of being the method to determine the *profitability* of the project (crucial to attracting investors) as it incorporated the life circumstances of the homeless into its methodologies. But, accounting's role is not confined to a technical one – it holds the potential to restructure the field and to change the mentalities and practices of the actors within it. We can see this in the process to award the SIB, which we discuss next.

The Award of the SIB

Once the business case was in place, the GLA (the bond commissioner) and its advisors followed the traditional UK privatization 'Competitive Dialogue' process to commission the SIB. This process is supposed to solicit "high quality" tenders, shortlisting those with the capacity and capability to deliver the contract. The commissioners issued a detailed proposal to the shortlisted providers, with five weeks for submissions building. Four tenders were received. The commissioners judged them on the scale of outcomes proposed and the discount provided on the maximum tariffs (the amount paid per outcome). They also judged the proposed delivery models in qualitative terms – for example, "ambition of the providers to achieve outcomes" (Department for Communities and Local Government, 2014, p. viii) – and attempted to balance the achievability of the outcomes in each model with their value for money. They consulted informally with other GLA stakeholders, local authorities and homeless service providers. The GLA received several bids and eventually narrowed the field to two. As detailed earlier, the SIB was split into two halves, one going to St Mungo's and one to Thames Reach.

In this stage of the SIB we can observe a strikingly neoliberal mentality at play. Service providers to the homeless must bid for inclusion, thus limiting the field to those who are economically competitive, who are skilful at cost analysis (for determining the discount off the maximum tariff and the value for money), and who exhibit an entrepreneurial spirit. Those successful in the bid would receive funding for programmes, a determinant in their future viability. The constitutive role of the development process is apparent as it shapes the field to disadvantage those unable to fit within this model, either by capacity or mentality. Future success, dependent upon present success, was constituted by the way that providers were shortlisted at this early stage. In the next section we examine how an array of institutions and individuals were (re)structured around the SIB.

The SIB Actors

We now move on to critically examine the network of social institutions and agents that are brought together in new ways via the SIB instrument. The agents will be categorised (as per Figure 1) as the delivery agency and service provider (St. Mungo's), the Payer (DCLG), the Commissioner (GLA), the Intermediaries (Social Finance and Triodos Bank), the Investors (Venturesome, Orp Foundation, two private investors and St Mungo) and the Target Group ("Inbetweeners").

St Mungo's

St Mungo's is a London-based charity with a history of service to the poor. It was founded in 1969 with a soup run. St Mungo's operates in an extremely chaotic and harrowing social space. This is in part due to the "clientele" it serves, many of whom suffer from complex problems of mental illness, failed family relationships, alcoholism and drug abuse and in part, due to the insecure nature of its funding. St Mungo's has a history of innovations in service. For example, it has allowed dogs and alcohol in its premises and given residents a private room with their own key while other charities and the state provided grim dormitory accommodation. It has set up a Sanctuary for elderly homeless people, designed to be as non-institutional as possible. It has provided opportunities for skill development, psychiatric and drug rehabilitation, and decent food. The activities and innovations of St Mungo's thus reflect a case-based approach to dealing with the homeless underpinned by a belief in "social interventions".

The usual practice for helping the homeless has been for outreach workers to build connections with people very gradually. The homeless are in the main very vulnerable and distrusting. Outreach workers are skilled at reaching out to them and winning their trust. This is a slow process. At first, the worker may just go and sit near someone in a companionable way, moving on to a few words, offering a drink, painstakingly building up a relationship. Only when trust is established will an attempt be made to introduce a homeless person to some form of accommodation. However, under traditional forms of outreach, if the accommodation provided by the local authority, St Mungo's, or an alternative provider, is on the outskirts of London, the homeless person can lose contact with their outreach worker. This was supposed to change with the introduction of the SIB Navigator Model.

The organisation grew through traditional government funding and charitable donations. By 2014, St Mungo's had a turnover of £53.8m (2013: £48.9m; 2012: £48.2m) and employed 1,131 (2013: 984; 2012: 956) full-time-equivalent staff (St Mungo's, 2013). In 2014, St Mungo's raised £6.57 million in charitable donations (2013: £5.63m; 2012: £5.16m). The cost of raising these donations was £3.20 million (2013: £2.62m; 2012: £2.25m). In 2014, 12% of St Mungo's turnover was from charitable donations. The bulk of the turnover derives from various state sources – grants from Local Authorities, the Homes and Communities Agency, and other Government departments. A significant source of state support comes through the "Supporting People" initiative set up by the New Labour government in 2003. In the 2011 spending review, the Chancellor cut 12% of the Supporting People funding over four years, putting significant financial pressure on St Mungo's (St Mungo's, 2013, p. 2). In short, St Mungo's is a charity almost totally dependent on state financing.

We identified nine state-contracts ranging from £200,000 to £70 million (a multi-year contract shared with other organisations) awarded to St Mungo's between 2009 and 2012 inclusive. These contracts are staggeringly large by the standards of many homelessness programmes. St Mungo's now also invites tenders for others to provide it with services, including, in 2011, tenders for a neutral vendor management service of temporary and locum staff, an applicant tracker system, renovation of one of its hostels, and the supply of its electricity and gas. The latter contract was awarded on the basis of lowest-price criteria. The mentality needed for competitive contracting was thus already present in the way St Mungo's itself operates. Importantly, this positioned it to be successful in the bidding process for future contracts, including the SIB.

While St Mungo's has had success in winning contracts, the nature of the competitive market means that it does not always win the bids it enters. Competition with corporate for-profit organizations also increases the need to adopt an economic mentality in approaching funding issues. For example, in 2011, voluntary organisations that help young people into jobs were being frozen out of the government's £5 billion Work Programme (Butler, 2011). The Department for Work and Pensions (DWP) chose 18 contractors to provide 40 work programmes in 2011. Only two were voluntary bodies, despite ministerial pledges that charities would get a large portion of the work. Most charitable organisations were unable to meet the initial criteria of an annual turnover of £20 million and the cash-flow capacity to fulfil large contracts. St Mungo's, one of the largest players in the sector, claims it has been awarded no contracts under the Work Programme, apart from one where there have actually been no clients (Sherman, 2011). In the accounting year 2010/11, St Mungo's stated that:

> ... we began discussing with our staff and union how the organization can be "fit for the future" and survive the cuts being imposed on us by both central and local government. In April 2011 we negotiated an agreement to change terms and conditions, which includes increasing the working week by two and a half hours at no extra costs. (St Mungo's, 2012a)

Such statements indicate a sense of being in survival mode, not just amongst managers but amongst staff as well, who agreed to employment contract concessions. But as can be seen from Table 3, the contract concessions were not enough to stave off job cuts in 2012. Furthermore, while in 2013 there was a small increase in staff numbers of 2.9%, average salaries fell by 2%.[14] The 2014 accounts show that while there has been a significant increase in the number of staff (15%), average wages are now lower in nominal terms than in 2009 (15.4% lower in real terms).[15]

Table 3 - Employment Levels at St Mungo's

Employee Information												
	2009		**2010**		**2011**		**2012**		**2013**		**2014**	
	#	**FTE**	**#**	**FTE**	**#**	**FTE**	**#**	**FTE**	**#**	**FTE**	**#**	**FTE**
Full time	720	720	791	791	797	797	704	704	721	721	766	766
Part time	91	47	87	61	102	61	139	86	146	89	187	171
Locum	222	172	234	171	227	161	240	166	245	174	266	194
Total		**939**		**1,023**		**1,019**		**956**		**984**		**1,131**
% change		-		+9%		-0.4%		-6.2%		+2.9%		+15%
Total salary		£26.7m		£29.3m		£29.8m		£28.1m		£28.4m		£30.9m
Avg. salary		£28,442		£28,636		£29,195		£29,430		£28,833		£27,290
% change				+0.6%		+2%		+0.8%		-2%		-5.4%

Source: Compiled from St Mungo's Annual Reports. (FTE = full time equivalent)

St Mungo's overall financial situation, as shown in their financial statements prior to the receipt of funding from the London Homelessness SIB, was one of cuts to core funding, having to dip into the reserve fund to pay for fixed assets, overreliance on a single government source, and job insecurity. Indeed, the St Mungo's staff we interviewed seemed to be dominated by the need to bring in revenue. The move to try out a radical new form of funding is understandable in view of its budgetary challenges.

[14] In December 2013, staff at one of St Mungo's hostels went on strike over the pay and conditions of five project workers whose pay and conditions were worse than St Mungo's regular staff.

[15] According to Government Retail Price Indices (http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?cdid=CHAW&dataset=mm23&table-id=2.1).

David Evans, Finance Director for St Mungo's, is quoted as saying the potential for profit was an "added attraction when social protection funding is shrinking" (GreenFutures, 2013). Our Triodos interviewee also indicated that St Mungo's could earn as much as £300,000 in profit on the SIB. In this way, St. Mungo's learns to incorporate profit-oriented analysis into its organization.

As a proportion of St Mungo's overall turnover, the maximum pay-out of £2.4 million achievable by the SIB is quite small (less than 5%). Moreover, this money was costly for St Mungo's to raise and administer. We were told that if St Mungo's had chosen to raise £2.4 million from donors, then £2.05 million of that amount would be spent on the front line and £0.35 million on raising the funds and administration. With the SIB, only £1.8 million will be spent on the front line. What is uncertain is whether and to what extent traditional forms of state funding will continue to exist. This uncertainty provides an incentive for St. Mungo's to participate in the SIB, and having developed the necessary expertise with SIBs, St Mungo's might have an additional incentive to demand more funding of this type, since it will have first-mover advantages over other service providers.

In accepting the SIB funding, St Mungo's found it necessary to adopt a new corporate structure. It was our interviewee at Triodos Bank who told us St Mungo's set up the wholly-owned special purpose vehicle mentioned above, Street Impact Ltd, on the award of the SIB. One of the features of the SIB was the need to raise funds from investors. St Mungo's preference would have been to provide its own working capital (which it did to a large extent); the requirement to take on loans brought an added layer of financial risk to St Mungo's. It could be that St Mungo's hoped to take advantage of the limited liability of Street Impact Ltd in the event that it was unable to repay the loans or the interest on them.

The SIB has meant that there is increased surveillance embedded into St Mungo's. St Mungo's had to make room for a new staff person representing the investors, whose job is to manage and monitor the performance measurements. Some of St Mungo's activities are now carefully audited by the GLA.

In summary, St Mungo's is an organisation that derives the majority of its funding from the state and is thus vulnerable to cuts in government expenditure. It also is in a social space dominated by financially powerful corporations, such as Serco (2014 turnover £3,955m),[16] with whom it will have to compete for government contracts. In this respect, the decision to bid for the SIB could be seen less as an ideological embrace of the biopolitical mentalities embedded within the bond than simply the opportunity to develop a new income stream. Nonetheless, while it is beyond the scope of this paper to discuss all the ways in which the bond will impact upon St Mungo's staff, it is possible to observe the creation of individual entrepreneurial units in St Mungo's, the navigators whose jobs depend upon the "success" of the SIB. It is also possible to see the development of a more individualised approach to the homeless. The navigators will "work on" specific individuals and the success of the bond will depend upon them living in tenanted accommodation or moving to their country of origin, not on them tackling their substance abuse or other problems. There is nothing within the SIB to deal with the significant social problems that underpin homelessness in London.

The Payer: Department for Communities and Local Government (DCLG)

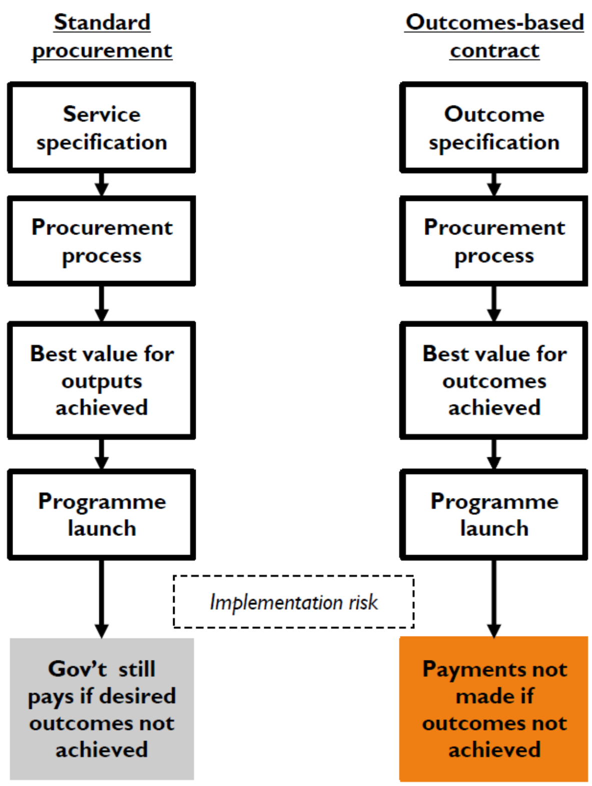
Our interviews suggest that the collective forces of the state were mobilised to support the bond. This included high level meetings at Admiralty House and at Clarence House. The latter is the official residence of the Prince of Wales, who we were told was present at one of the SIB meetings. These meetings were attended by the staff from Social Finance Ltd, by lawyers and accountants, and by representatives of (surprisingly few) charities, one of which was St Mungo's. One of our interviewees said the story being told at these meetings was that "SIBs are the future". Also, an interviewee at St. Mungo's indicated that the DCLG focus was on the "flavour of the month" aspect of the SIB concept, and on the fact that the homelessness group were an "interesting group" to try something out with since it was difficult to maintain life off of the street. A GLA interviewee said that it wasn't clear the GLA would have set up the bond if the money hadn't come from the Cabinet Office.

The dominant rationality for SIBs heralded by the state is that they will transfer the *financial* risk of running programmes onto the provider because the state will only have to pay for successful outcomes.

[16] Serco 2014 Annual Report.

Figure 2 is Social Finance's diagram of this feature of SIBs.[17] Although the government will not have the contractual obligation of paying for an unsuccessful SIB, the failure of SIBs will be felt by the most vulnerable in society to the detriment of society as a whole. In Figure 2, social or humanitarian risk is unacknowledged.

Figure 2

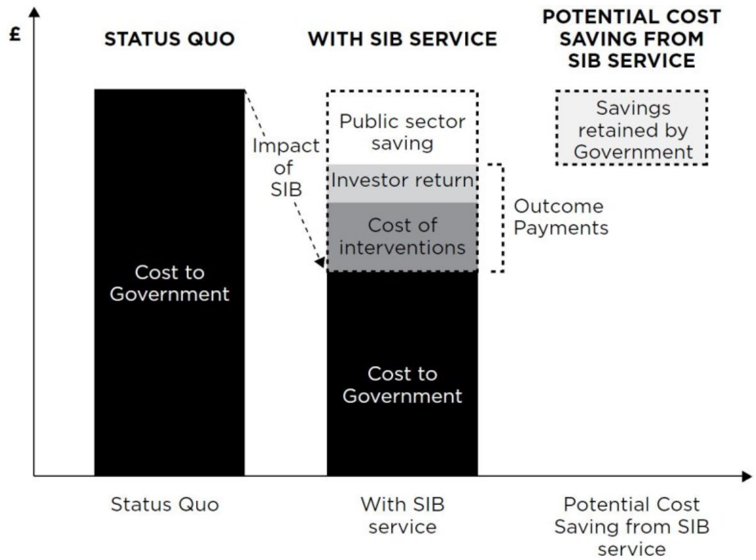


Source: Social Finance (2012b, p. 24)

In addition to reducing the risk to government, SIBs are promoted as producing cost savings. A schematic illustration of potential cost savings of an SIB is shown in Figure 3, demonstrating how SIBs are portrayed to payers (and other stakeholders). In the figure, the "potential cost saving" is retained by Government as payer. Reducing the SIB arrangement (and the underlying social complexities it is meant to address) to bar charts, in order to visually represent the notion of cost savings and risk transfer, is a key means to communicate and characterize SIBs as an idealized solution.

[17] It is noteworthy that both procurement methods involve best value for money calculations and private sector suppliers. The state provision of public services is not within this frame of reference.

Figure 3: Cost saving schematic



Source: Social Finance (2013c, p. 18)

The UK central government has promoted SIBs on the basis that they will produce cost savings and reduce the financial risk of the state. A deeper analysis suggests that there is much more at play. SIBs are a vehicle through which market mechanisms can be brought closer to government. Arguably, they leave market mechanisms and individual entrepreneurial units (navigators) to deal with difficult social problems like homelessness. Currently, UK SIBs are targeted at the most vulnerable and least powerful; however, in the future they could come to replace other state social policies and interventions (or levers of government). The next section will briefly consider the arm of government tasked with commissioning the SIB, the GLA.

The Commissioner: GLA

The Greater London Authority, when the SIB was being put together, was operating in a climate of intensified public concern about homelessness. This was around the time of the 2012 London Olympic Games. In 2011, the Mayor had secured £34 million to end rough sleeping by 2012 (Greater London

Authority, 2011), and led a campaign to clean up London that was criticised as a veiled attack on people using public spaces (Boyes, 2012).[18]

The GLA was the body that decided which charity/charities should be awarded the SIB. The open procurement ('Competitive Dialogue') process enabled the GLA to refine the price at which service providers would work with the homeless cohort on an outcomes basis. Akin to central government, the GLA promoted the SIB as a means to transfer financial risk from the state, reduce costs and increase innovation. Yet, an interviewee from the GLA said that one of the unsuccessful bids did not succeed "because of its innovation," meaning its approach was considered *too* risky. This suggests a certain risk aversion related to the services funded by SIBs, which is paradoxical because the SIB concept has been touted as promoting innovation and entrepreneurial risk-taking. Yet, it also exemplifies the GLA's entrepreneurial neoliberal analysis of risk and reward. Viewed under a market-oriented conceptualization of risk being in proportion to reward, it is understandable that certain innovations would be deemed to be too "risky", in the sense that insufficient reward was available relative to returns offered elsewhere in the "market", that is, by the other providers vying for participation. The GLA may also have been concerned with the "investor" element of SIBs: it might be difficult to have attracted investors for very risky programmes.

In its decision to award two SIBs, the GLA might also be seen as acting with a market mentality. Thames Reach and St Mungo's could be compared with each other. And by awarding two SIBs, the GLA could have been attempting to diversify its risk.

The GLA audits the bond's performance metrics and makes payments under the bond. The auditing aspect of the bond threw up a small paradox. The CHAIN database is not an independent source of information because it is updated by the service providers themselves, including St Mungo's and Thames Reach. In 2014, St Mungo's merged with Broadway, the organisation that maintains CHAIN. In effect, St Mungo's now owns the database used to audit St Mungo's.

[18] In 2007, the UN-funded Centre for Housing Rights and Evictions (COHRE) published a report into the effects of Olympic Games on property and homeless between 1988 and 2008. The report found that Olympic Games exacerbated the effects of homelessness.

In its handling of the London Homelessness SIB, the GLA itself thus acted in an entrepreneurial/neoliberal – that is, self-interested – way. Nonetheless, our GLA interviewees (solicitor and auditor) were each individually committed to helping the homeless. In this respect they mirrored our St Mungo's interviewees. Their dominant concern appeared to be less with the market ideology of the bond than with the potential £5m of *additional* funding for the homeless. Next we turn to the investors.

The Investors: St Mungo's, CAF Venturesome, Orp Foundation, and Private Investors

Building on initial consultations with social investors, Social Finance circulated information about the SIB, once funding had been secured by DCLG. Social Finance also met with each of the short-listed providers to discuss investor expectations. The short-listed providers then attended a pre-arranged 'Market Information Day.' Follow-up with investors after the event was performed differently by each provider (as discussed in the next section on intermediaries).

In spite of Social Finance's efforts, St Mungo's became the largest investor in its own SIB. As mentioned, it set up a wholly owned subsidiary called Street Impact Ltd., paying in £237,000 share capital. Alongside the St Mungo's investment, four investors agreed to loan £650,000 funds in total. The most recent accounts indicate that these investors have loaned a total of £400,000 to St Mungo's (via Street Impact). Two of the investors, the Charities Aid Foundation (CAF) Venturesome and the Orp Foundation, are charities. The other two investors are "high net worth" individuals. However, the majority of the investment is being made by the three charities, including St Mungo's.

The investors are paid 6.5% annual interest rate on a quarterly basis, with the principal sum repaid after the end of the contract once all potential sustained outcomes have been achieved. The rate of return has not officially been reported in government reports due to commercial confidentiality; but it is reported in Street Impact Ltd's Annual Report and this amount was confirmed by our Triodos Bank interviewee. Our interviewees at the GLA disputed this interest rate. They said that Social Finance consistently told them the interest rate on the SIB would have to be "very high," and thought the rate must be at least 12%. High rates of return were a feature of earlier SIBs.

It is interesting that two senior GLA employees involved with the bond were unaware of the interest rate, and indeed, unaware that St Mungo's had set up a separate limited company to carry the debt of the SIB. In addition, an interviewee at St Mungo's offered a different interpretation of the interest payments, saying that if St Mungo's achieved its base performance targets, the bondholders would get their principal back, but that receiving interest was contingent on St Mungo's hitting its higher performance targets. These different interpretations may only indicate the newness of the concept and lack of standard features in the bonds. Alternatively, they may indicate that the formation of financial habitus at St Mungo's is incomplete, or that the conceptual terrain for social impact bonds is contested.

In the next section we discuss the role of the intermediaries who facilitated the St Mungo's SIB.

The Intermediaries: Social Finance and Triodos Bank

Intermediaries have emerged as a fundamental part of the network around the SIB technology. It is important to recognise the mechanisms by which SIBs, as a technology and a governance meme, have been propagated. One evident mechanism is the influence of consultants on governments. For example, the UK Cabinet Office website on SIBs provides templates for commissioners who are attempting to follow the lead of the Cabinet Office and initiate their own social impact bonds (Inside Government, 2013). The templates include a how-to guide and an example of a "potential savings" spreadsheet that can be adapted to justify the introduction of SIBs into a field of social policy. The templates have, alongside those of the Cabinet Office, the name and logo of "ATQ Consultants" in their page headings. ATQ Consultants is a small firm staffed by three people with public sector and business development experience (ATQ Consultants, 2013).

In the London Homelessness SIB, two intermediaries played central roles in the development and implementation of the agreement. These were Social Finance Ltd. and Triodos Bank. Social Finance is a consulting firm that actively promotes SIBs as a public policy solution. At first, it was only active in the UK, but now is expanding its influence around the globe. Although the firm lists representatives of the charitable foundation of the Duke and Duchess of Cambridge and of the UK Charity Commission on its board, most of its board members come from hedge funds, global finance firms, and major banks (Social

Finance, 2013a). Founded in 2007 by Toby Eccles, previously the secretariat of the UK's Commission on Unclaimed Assets, the company is now headed by a former investment banker (Social Finance, 2013b). Like Triodos Bank, Social Finance states on its website that it is authorised and regulated by the Financial Services Authority, a defunct entity within the UK government that has now been split into two separate regulatory authorities.

Social Finance was involved from the outset of the London Homelessness SIB, sketching out the initial structure, conducting research, enlisting other agents, and developing the cost and delivery models. Thus, the mentality that Social Finance takes into this field is shaping the field itself and influencing which technologies gain purchase.

The other important intermediary was Triodos Bank. Triodos became engaged with this SIB in a prototypically neoliberal way, through a mutually agreed-upon economic relationship. St. Mungo's was able to avoid the uncertainty of investor follow-up by working with Triodos. Triodos, as an intermediary, was not a "necessary" link in this network: the different providers vying to participate in the London Homelessness SIB took up different approaches to following up with potential investors. One model was provider-led, whereby providers directly contacted social investors who had attended the Market Information Day, asking to meet. They also contacted investors who hadn't attended, identified through their networks of existing contacts; one provider described their links with investors as being a result of 'working my contacts book hard'. The second model was that taken by St Mungo's, who early on in the process, following the Market Information Day, agreed with Triodos Bank that it would act as an intermediary. St. Mungo's was the only provider to engage this type of intermediary. Although Triodos held discussions with three of the providers during this early phase, they agreed to work only with St Mungo's. Triodos Bank had been enlisted by the GLA in the first half of 2012, and were asked to work with a service provider to take the SIB through to launch (Triodos interviewee).[19] Triodos evaluated

[19] This was confirmed by our interviewees at the GLA, who said that the bond was first proposed by the UK Department of Communities and Local Government, under advice by Social Finance. The interviewees also indicated that the decision to negotiate terms with Triodos, in order to make them attractive to investors, was a departure from the GLA's normal "take it or leave it" procurement procedures.

potential service providers not just on their track record, proven ability, and level of success in the field, but also on the basis of a financial appraisal. In fact, Triodos "always had one eye on the service provider putting in some of their own capital to encourage other investors" (Triodos interviewee). They were drawn to St Mungo's because of its large financial base. The work Triodos put into this phase was crucial in assuring potential investors that the project was financially sound.

For a fixed fee, Triodos were able to prepare the information investors required, liaise with them on St Mungo's behalf and provide support with negotiations. Other providers, working without an agreed intermediary, were said to be unsure about the costs associated with this phase of the project. Given that St. Mungo's was the most financially sound provider, this indicates that the financial capital and financial sophistication of some providers allows them to access expertise unavailable to others.

Triodos and St Mungo's had to work hard on the "validity" of all of the forecasts and output measurements, according to our Triodos interviewee. They looked at St Mungo's own historical data, the CHAIN database, and other evidence about different types of rough sleepers. This phase of the development also involved the bank representatives spending time with St Mungo's outreach workers. Our interviewee said that the outreach workers knew more about the chance of "success" with homeless clients than any of the "finance guys", and in fact had such deep knowledge of the field that they knew some of the 830-person target group personally.

Triodos and St Mungo's also worked together on internal cost estimates and budgeting. They had to determine the costs of achieving the specified targets, and therefore how much investment they would need to attract through the bond facility. Costs would include staff (the main cost), accommodation, infrastructure (especially communications technology like broadband, mobile phones, and so on), rehabilitation, medical support, and details like pocket money. An interviewee from St Mungo's said that they put forward a bid as to what they though could be achieved in the areas dictated by Social Finance with £2.4 million. This suggests that they worked backwards from the available financial resources to determine the performance targets that would make the programme profitable.

The key Triodos bank employee involved in the SIB, in an interview, expressed a strong commitment to "social banking" and to helping the homeless. When he spoke about the future of SIBs he said that it would be better if there "were more liquidity in the market". Thus, while showing a genuine concern for the homeless, this banker spoke in clear neoliberal terms. If realised, his desire for a SIB market may well complete the financialisation of the state welfare sector.

Social Finance and Triodos Bank are only two of many organizations promoting SIBs around the world. Amongst major consulting firms, McKinsey & Company have prepared videos, booklets, and toolkits for organisations contemplating SIBs. Investment banks have also got in on the act, with Goldman Sachs particularly active in the United States (Shorthouse, 2012). All of the Big Four global accounting firms are prominent promoters of SIBs. Deloitte, particularly in Canada, has jumped on the SIB bandwagon with a booklet, entitled *Paying for Outcomes* (Deloitte, 2012), claiming that SIBs are the key to "solving complex societal issues" and that there is a "coming revolution in social policy." PricewaterhouseCoopers has acted as a technical advisor to Social Finance Ltd (Social Finance, 2011b, 2011c). Ernst & Young made a major donation and contributed pro bono work to support the Private Equity Foundation in developing a social bond related to youth education and training in the UK (Private Equity Foundation, 2012). KPMG has been named as a supporter of SIBs in Canada (Curry & Grant, 2012).

These activist roles for consulting firms, investment banks and accounting firms, and the speed at which SIB schemes are travelling throughout the public sector and across national boundaries, suggest that SIBs are not simply permeating into practice passively. They are being promoted actively by global business "cosmopolitans" (Briers & Chua, 2001; Kanter, 1995) who, notwithstanding their passion for the idea, have economic interests in this technology. They act in a field that is increasingly dominated by a neoliberal mentality, suggesting that the desire to "help" is not incompatible with the desire to "profit", once an economic grid is overlaid upon a "target population". The next section is concerned with this population.

The Target Population: The “Inbetweeners”

Initially, as stated earlier, all of the “Inbetweeners” on the CHAIN database were individually selected, each with a history of repeated rough sleeping and complex issues involving substance abuse, mental illness, and/or physical illness. The group grew to 830 during the course of the creation of the SIB. Our interviewees at the GLA said that the service providers claimed this increase was unfair, but the GLA pointed out that service providers would simply have a bigger pool from which to derive their success stories. Certainly, the idea that a specific group of homeless individuals would be “tracked” is not new, but the application of specific selection criteria to the CHAIN database represents a means by which human capital could be identified, improved, worked on and/or made into a source of profit. In this case, it specifically permitted *baseline calculations of this human capital* upon which economic analysis could be performed and the incentives embedded in the SIB technology could work.

The purpose of this paper is not to consider the impact of the SIB on the Inbetweeners. Nonetheless, they and the impact of the bond upon them should be the focus of future research. In our most recent discussions with St Mungo’s staff, anecdotal evidence suggests the Inbetweeners are aware that they are a “special group” and that additional funds are available from which they can benefit. This could be producing an “unexpected” entrepreneurial spirit. We were told about one of the cohort who threatened to leave his tenanted accommodation unless he was given a television. He may not have been aware of the potential payment to St Mungo’s for him remaining as a tenant for 12 months, nor of the even larger pay-out for 18 months. But, it is likely that the difference between the cost of the television and the amount paid by the SIB for someone remaining in tenanted accommodation would have been a calculation made by a St Mungo’s employee at some level.

DISCUSSION

The preceding analysis has examined the use of financial innovation to restructure the field of homelessness services. The analysis has shown how the financial mechanism at the heart of this restructuring, the London Homelessness SIB, is constituted by and serves to reinforce a particular set of rationalities. Through interviews and detailed analysis of documentary evidence, we have examined the creation, negotiation and implementation of this financial market solution to a social problem. In previous eras, it might have seemed peculiar to apply the technologies and mentalities that infuse the capital markets to the profound social issues surrounding those who live without stable housing. Yet, the incursion of financial technologies and mentalities into the social sector is now ubiquitous.[20] For example, contracts are a central technology of SIBs. In this, they adopt the rationality of financial economic theory; organisations are portrayed as a nexus of contracts between self-interested (entrepreneurial) individuals and entities that specify how costs and rewards should be allocated among participants (see for example, Hayek, 1945, 1948; Jensen & Meckling, 1976). Under this theorization, accounting plays a contracting role to reduce agency costs in bond covenants and management compensation plans. Accounting functions in a similar way in the SIB arrangement. But, in playing this role in the context of the SIB, accounting does not merely specify contractual outcomes. Rather, it participates in, and is implicated in, a reordering of society, bringing those who are most vulnerable and those who serve them into new contractual relationships with each other, with the state, and with the finance industry.

The penetration of SIBs into St Mungo's is a specific development that allows us to draw new insights into the more general incursion of neoliberalism into social policy (Woolford & Curran, 2013, p. 47). SIBs are still at the experimental phase, so this case allows us to observe the technologies and mentalities of neoliberal governance in action as social space is rearranged. We have adopted a theorization of these phenomena that mobilizes the notion of biopolitics (Foucault, 1978, 2008).

We can illuminate several striking features of this neoliberal arrangement. The outcomes set out in this SIB contract were, to varying degrees, of St Mungo's own making: in practical terms, St. Mungo's was involved in the development of the norms and metrics associated with the funding. This was perhaps because the state has an interest in ensuring that the early SIBs are "successful" and so would want to ensure that the outcome metrics are achievable and produce healthy returns to investors. The ways of

[20] Literature in social policy is "painfully aware" (Woolford & Curran, 2013, p. 47) of the influence of neoliberalism on social policy. Nonetheless, it still seeks to understand how this incursion takes place.

achieving the outcomes did not form part of the contract and the use of individualised performance metrics serves to render broader social problems invisible. The arrangements take for granted that St. Mungo's staff are entrepreneurial and so will act in a self-interested manner, presuming that they will indeed attempt to meet the outcome metrics. There is a financial animator at play too here. The staff funded by the SIB have precarious jobs and will want the SIB to succeed in the hope of future SIB or similar funding. SIBs enhance the state's ability to make certain claims about its own financial conduct. The state will be able to claim that it can now trace the money it spends to particular outcomes. The state is no longer expected to concern itself with the means by which the outcomes are achieved. Thus, the performance metrics serve to wither fundamental concerns about the homeless into contractual interests in outcome measures.

We can further explore the outcome measurements built into the London Homelessness SIB. Underlying each metric is a neoliberal focus on the individual's moral responsibility as an entrepreneur of the self. The emphasis on *reducing rough sleeping*, for instance, positions individuals who do so as an affront to the economic imperative of neoliberalism. Setting *stable accommodation* goals in London, a city in which the lack of affordable housing is a politically charged social issue, reinforces the notion that fixed addresses reflect moral citizenship. Goals for *sustained reconnection to places of origin* operationalize a view of the homeless as the Other, comprising those parts of society that are unwanted, the refugees and the illegal immigrants – people who have may well have risked their lives for a better future – but have failed. *Progress towards employment*, as an outcome measure, is linked not only to the ability of individuals to afford accommodation, but also to the moral obligation placed on them to become productive participants in the market economy – successful entrepreneurs who maximise their human capital. Finally, *better management of one's health* codifies the disciplinary requirement of "care of self" placed on the enterprising individual in our society. Reflecting on these outcome metrics, we note that these are incredibly individualized. By their very nature, in fitting with the notion of the enterprising self, they enable blame to be placed on the individual when, for example, he or she does not find work or housing. The model is blind to underlying structural issues driving the inability to find work, or housing market bubbles, or financial crises. It assumes that work and housing are available, and that it is merely up to the monitored individual to reach out and grab it. We are not suggesting that individuals at St. Mungo's or the GLA, or even the investors themselves, are unconcerned with such underlying issues – each of our interviewees expressed a concern for the homeless. What we are arguing is that the SIB model, akin to the earlier Nazi rationalisation so feared by the Ordo-liberals, leaves no room for such considerations and could be the next step towards the ultimate hyper-rationalized world that derives profits from the most vulnerable.

The metrics, then, incorporate profound assumptions about the capacity and responsibility of the individual to act as an entrepreneur of the self; this is the case with the Inbetweeners, the navigators, the investors, and also the commissioner. These metrics are about how individuals are expected to function in society. Self-interested desire to meet the contractual objectives is assumed. The outcomes specify what each agent must achieve to function as moral citizens.

Thus it is clear that these outcomes are not discreet and independent elements of an isolated social service contract, but are integral to the neoliberal reform of the state and society. In keeping with Foucault, Schram et al. (2010) state that under neoliberalism, "the welfare state is not 'rolled back' in the sense of being reduced: it is 'rolled out' to diverse locales and nonstate actors … and it is 'rolled up' in a transformative disciplinary project of market rationality" (p. 742). In this particular case, the biopoliticization of the homeless involves a chain of disciplinary relationships running through national and local governments, finance firms, banks, local service providers, and homeless service users. Along this chain, "benchmarks for outcomes are established and monitored, and managerial techniques, incentives, and penalties are used to discipline actors below" (Schram et al., 2010, p. 747).

Literature has long recognized accounting's role in putting particular aims of government of populations into practice, by its ability to make social spaces calculable, produce knowledge about subjects that are the object of particular government ideas, and offer the technical means to move from idea to action (Miller & O'Leary, 1987; Miller & Rose, 1990; Rose, 1991). In this study, we have examined a specific instance of the government of population, one which has attempted to introduce "the market" in an explicit manner. However, instead of a free market, we have witnessed the introduction of a specific, deliberately cultivated set of investors, inserted into a programme to serve a symbolic function. This development in social service provision and funding moves us beyond New Public Management notions of cost-effectiveness and value for money, which have been the subject of much prior research, and into a forced intensification of "market" involvement in programme delivery. While prior research has focused on settings in which the aim has been, rhetorically at least, cost-cutting and cost-savings, here we witness the explicit aim of the programme to produce profits for one of the parties involved, the investor. The profits come from named individuals – "failed entrepreneurs" reconstituted as living cash-flows.

The SIB arrangement is thus self-contradictory: an engineered "market-based" solution. As an ostensibly market-based solution to a social problem, it carries with it the plethora of neoliberal rationalities. It "cures" homelessness not by "curing" society but by removing society from the equation. In society's stead, it introduces contracts, profit incentives, risk taking, and outcome measurement; or alternately put, it eliminates from the notion of "society" everything except these calculative aspects of self-interest that suit a market ideology, even if no market exists. Homelessness becomes a market arena in its own right where individuals, both the homeless and the contract service worker, are pushed to develop their human capital and offer their labour to the highest bidder. St Mungo's explicit role is to accomplish the requisite change in the identity of its homeless clients:

> Their identities are defined by their state of passage from the degraded role of 'dependent' to the valorized role of 'worker' – from disordered and irresponsible drains on society to orderly subjects who function as self-sufficient actors in markets and communities. (Schram et al., 2010, p. 744).

That is, their identities must be changed from the degraded role of 'rough sleeper' to the valorized role of 'stable and housed'. This change determines their worth to the investors.

Herein lies what we argue is one of the crucial insights in this study. The mechanisms used to motivate this change, from one identity to another, construct specific new ways of seeing and thinking about the homeless. The mentalities implicit in these mechanisms carry particular (even unpalatable) implications. In the case of the London Homelessness SIB, the value of the bond depends crucially upon, and indeed is securitized by, the actions of these homeless individuals. Their ability to move through the particular phases codified by the outcome metrics is monetized and captured by the investors who paid to have this happen. Thus, the system securitizes the most vulnerable for the profit of those most able to pay. The homeless, amongst other social pathologies, have continually been the subject of analysis on the reduction of costs and the increase of efficiency in the delivery of services. In that sense, the SIB project is nothing unusual. However, it is qualitatively unique to commodify the homeless in the manner undertaken in the SIB project.

The roll out of neoliberal mentalities into this arena is heavily bound up with notions of risk and in particular the removal of state supported "socialization" of risk. One of the expressly claimed "accomplishments" of the SIB is to pass the risk of failure in changing homeless identities from the state to investors. Risk is dealt with at the boundaries of partnerships, such as between the state and social service providers (Miller et al., 2008). We find that the SIB arrangement – a partnership involving the state, the finance sector, social service providers, and investors – partitions risk in distinct ways for each member.

First, according to the SIB's design, the risk is assumed to pass on to the investors, who expect a return in exchange for putting up their funds to an uncertain outcome. MacDonald (2014), an economist with the Canadian Centre for Policy Alternatives, identifies a number of problems with this simplistic view of risk-shifting under an SIB. Our study finds empirical support for his assertions. We can see that one of the express aims of the programme, innovation in social services to "solve" issues such as homelessness, is not and likely never can be rewarded. St. Mungo's was a winning bidder in part because of their proven track record, whilst others with more innovative ideas lost out. Thus, the kinds of risk that the investors are willing to underwrite are already circumscribed. This makes perfect sense when viewed with a market mentality: the first rule of portfolio management is that investors never select a project with highly uncertain outcomes when other, more certain, opportunities exist with similar expected returns. If the goal is to attract funding to this otherwise unknown field, innovative and hence risky projects will have to be avoided.

Second, the amount of the risk of failing to meet outcome targets that will, in practice, fall to the investors, remains an open question. Projects with unrealized outcomes are highly unlikely simply to pay nothing back to investors.[21] This is especially true when the overall “SIB programme” depends on its reputation for achieving outcomes The global SIB programme, viewed as a project to colonize social programmes by members of the finance industry, demands that returns be positive if it is to succeed.

Third, and linked to the previous point, it becomes risky for St Mungo’s itself to fail to achieve the outcomes. One not unlikely outcome of failure would include being excluded from future SIB opportunities. Here, the market mentality brings with it a fear of the “flight of capital”. The same threat of capital mobility that characterizes relations between profit-seeking firms and the capital markets (Arnold & Oakes, 1998) thus intrudes into the area of social service provision for the poor. This fear will drive social sector organizations to restructure delivery of programmes, cut costs elsewhere, or make other changes in order to achieve the outcomes they have contracted to achieve (MacDonald, 2014).

Finally, in the St Mungo’s SIB programme, a new risk is constructed concerning the identity of the individual service user, that is, the homeless individual upon whose behaviour the entire system rests. It is already recognized that neoliberal approaches to governing nonprofit social service providers discourage activities that address unjust social conditions, in favour of targeting risky and irresponsible individuals (Woolford & Curran, 2013, p. 46). Homeless service users at St Mungo’s were, prior to the introduction of the SIB, already painted with the biopolitical stripe of being engaged in risky (failed entrepreneurial) behaviours like rough sleeping and addiction. The SIB programme continues the targeting of these behaviours, but with the introduction of new categories and labels. If these individuals do not meet the specified incomes, they not only remain categorized as “risky” to the society through which the government acts, but they also become akin to a credit risk to market investors. That is, in the

[21] For example, the downside to Goldman Sachs was limited to 25% of its investment in the Rikers Island youth recidivism SIB (MacDonald, 2014).

same way that individuals, securitized as mortgage holders in mortgage-backed securities, become particular market risks according to their payment and default patterns, homeless individuals' life experiences are now part of a pattern of risk to investors in the SIB scheme. Extrapolating to St Mungo's, the same market mentality applies: the ability of St Mungo's to produce changes in behaviours is itself an uncertainty that translates the service provider itself into a measurable risk for investors.

CONCLUSION

At the outset, we had proposed contributions in two separate, but inter-related, streams of literature. First, we sought to theorize the neoliberal rationalities now colonizing public services. To do so, we have introduced Foucault's (1978, 2008) notion of biopolitics into this setting. This has helped us to recognize how certain important beliefs underpin the mechanisms found within SIB funding arrangements: that it is possible and even desirable to formulate contractual outcomes related to social concerns; that agents will act in their self-interest in order to meet such outcomes; and, perhaps most profoundly, that homelessness (rather, the outcomes related to the homeless) is a business opportunity that will provide a financial return on investment. These beliefs drive the structure of SIBs and the way in which they are being introduced to the homelessness service sector.

Second, the study has contributed insights into accounting's role in effecting neoliberal social policy and consequently in the management of populations (Graham, 2010; Miller & O'Leary, 1987; Miller & Rose, 1990; Rose, 1991). We have examined accounting's role in the contractual outcomes that are so characteristic of the SIB arrangement, the accounting calculations that provide the needed rationale for the programme (e.g. cost-savings, discounted cash flows, profitability, return on investment, etc.), and the linking of accounting and performance measures constructed from the database that made the day-to-day activities of the homeless visible, in ways deemed necessary to demonstrate outcome achievements. We have seen how accounting for results underpins the financial instruments used to shift the boundary between public, private, and nonprofit sectors (Broadbent & Guthrie, 2008; Miller et al., 2008; Neu, 2006), and how these shifts are predicated on changes in the way risk is allocated amongst the state, nonprofit service providers, and investors, not forgetting the employees of the service providers and the homeless themselves, who are also asked to take on risk.

In terms of our contribution towards an understanding of accounting, we first highlight, once again, the crucial and constitutive role accounting has played here. Not only did it make possible the cost estimations, NPV calculations and performance monitoring framework, it also gave material substance to the notion that profit could be made from the homeless life-course. By producing a profit, it enabled a link to the investors who were incentivized to participate. These techniques, though, are not new in the domain of accounting. What is new is the application of these techniques so directly to the provision of a social service, within the rationality of biopolitics and neoliberalism. This leads to a more profound conclusion. We saw how, by drawing on these techniques to implement the SIB, the state loses some of its ability to evaluate critically its own activities from a human and policy perspective, since the evaluation becomes deeply embedded in the accounting technologies. As noted, such technologies are themselves not immune from criticism. We argue that there is something profoundly wrong when flawed financial technologies can become engines of social policy.

This study has thus begun what we hope is a future body of research that reflects on the stark changes in the organization of the agents in the governance of society, the potential changes in their habitus as they negotiate the new mentalities demanded of them, and their roles as moral citizens in the neoliberal order, of which the SIB arrangement is one manifestation. The major limitation of this research is that it is too early to discuss the impact of the SIB on the homeless themselves. They should be the focus of future research.

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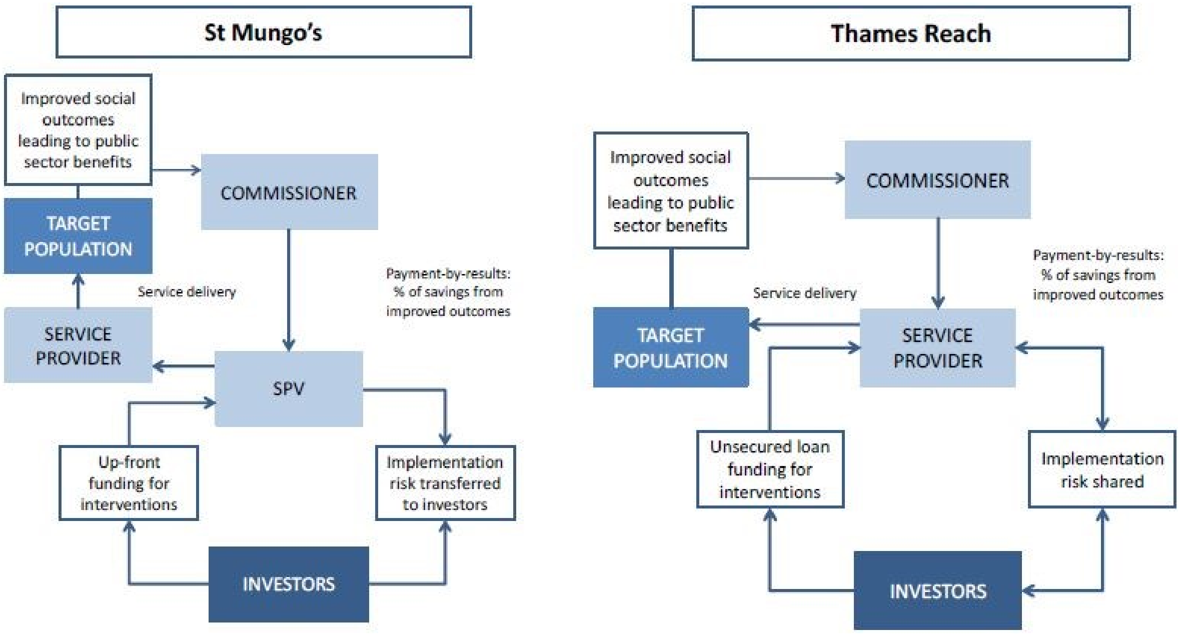
Appendix 1: Configuration of Funding Relations



Source: http://www.russellwebster.com/social-impact-bonds-and-homelessness/

APPENDIX 2: SOCIAL IMPACT BOND DEVELOPMENT PROCESS

Stage	Accounting Technology
Design	
Assessment of service area which needs reshaping	This must be within the budget of the commissioner
Definition of the social issues	Accounting technologies are required at this stage to set out social trends and their related cost pressures
Definition of outcome metrics and interventions	Management control/accounting technologies are required to develop indicative output metrics
Value-for-money case	Financial model to assess potential savings as a result of the interventions
Programme design	Due diligence on potential service providers requires financial accounting. Outcome measurements finalised. Payment framework set up.
Execution	
Procurement	Accounting will be used by those bidding on the contracts to evaluate their ability to deliver the programme at the price, and by those reviewing the bids to ensure the professionalism and competence of the bidders
Contracting	Accounting technologies are central to the contract which contains performance measures, and returns to bond purchasers.
Appointment of a Project Director or Performance Manager	This individual will closely monitor performance to ensure that the performance outcomes are on track. If they aren't then the service provider can be removed and replaced by another
Completion	
SIB payment	Payments are made (or not) on the basis of the performance measurement criteria in the contract.